



SMERA MFI Grading

M2

*(High capacity of the MFI
to manage its operations
in a sustainable manner)*

SMERA MFI Grading

Sambandh Finserve Private Limited



To verify the grading, please scan the QR Code

Date of Report:

24th November, 2018

Valid Till:

23rd November, 2019



Conflict of Interest Declaration

The Rating Agency (including its holding company and wholly owned subsidiaries) has not been involved in any assignment of advisory nature for a period of 12 months preceding the date of the comprehensive grading. None of the employees or the Board members of the Rating agency have been a member of the Board of Directors of the MFI during for a period of 12 months preceding the date of the comprehensive grading.

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Historical Rating Grades

Date	Rating Agency	Rating/Grading
23-MAR-2018	SMERA Ratings Limited	M2C2
31-Oct-2017	SMERA Ratings Limited	M2
29-MAR-2017	SMERA Ratings Limited	M3C3
30-Sep-2016	SMERA Ratings Limited	MF3

SMERA's MFI Grading Scale

Grading Scale	Definitions
M1	MFIs with this grade are considered to have highest capacity to manage their microfinance operations in a sustainable manner.
M2	MFIs with this grade are considered to have high capacity to manage their microfinance operations in a sustainable manner.
M3	MFIs with this grade are considered to have above average capacity to manage their microfinance operations in a sustainable manner
M4	MFIs with this grade are considered to have average capacity to manage their microfinance operations in a sustainable manner.
M5	MFIs with this grade are considered to have inadequate capacity to manage their microfinance operations in a sustainable manner.
M6	MFIs with this grade are considered to have low capacity to manage their microfinance operations in a sustainable manner.
M7	MFIs with this grade are considered to have very low capacity to manage their microfinance operations in a sustainable manner.
M8	MFIs with this grade are considered to have lowest capacity to manage their microfinance operations in a sustainable manner.



To verify the grading, please scan the QR Code

Company Profile

Name of the MFI	Sambandh Finserve Private Limited	
Operational Head – Microfinance Business	Name	Mr. Manoj Felix Ekka
	Designation	Head-Operations
	Mobile No.	7077717501
	Email ID	manojfelix.ekka@sambandhfin.com
	Date of Joining	26 th July, 2006
Date of Incorporation/Establishment	3 rd July, 1996	
Date of commencement of microfinance business	2 nd October, 2006	
Legal Status	NBFC-MFI	
Business of the company	Microfinance Services Under Joint Liability Group (JLG) Model	
Correspondence Address	Sambandh Finserve Pvt. Ltd. Odisha State Office, 2 nd Floor, Plot No- 216, District Center, Chandrasekharpur, Bhubaneswar-751016, Odisha India	
Geographical Reach (As on 31/Oct/2018)	No. of States	3
	No. of Districts	24
	No. of Branches	57
	No. of Active Borrowers	1,52,334
	No. of Total Employees	514
	No. of Field/Credit Officers	228

Product Profile

Products	Description	Loan Size (Rs)	Interest Rate (A) (In %)	Processing Fee (B) (In %)	APR (Interest Rate and Processing fees) (In %) (C=A+B)
Saral	JLG	10,000 to 50,000	24.53%	1.00%	25.53%
Suvidha (IDBI Bank)	SHG	10,000 to 40,000	23.00%	1.00%	24.00%
Suvidha (Yes Bank)	JLG	12,000 to 36,000	24.00%	1.00%	25.00%
Samrudhhi (Reliance Commercial LTD)	JLG	15,000 to 35,000	26.00%	1.00%	27.00%
Watsan	Individual-Sanitation	15,000 to 20,000	21.00%	1.00%	22.00%
Energy Loan	Individual	2,399 and 3,199	17.00%	1.00%	18.00%
Boon box	Individual	As per the Product Price	25.35%	1.00%	26.35%
Sugriha- HIL	Individual	50,000 to 100,000	24.00%	1.00%	25.00%

Capital Structure as of 31/Oct/2018

Authorized Capital	42.00 crore
Paid Up Capital	23.69 crore

Shareholding Pattern as of 31/Oct/2018

EQUITY SHARES	
Shareholders	% Holding
Deepak Kindo	14.32%
Livinus Kindo	7.05%
M.M. Kindo	7.36%
Dibya Lochan Jena	0.31%
Friends Of Sambandh Trust	11.72%
Base Of Pyramid Asia	19.25%
Dia Vikas Capital Pvt. Ltd.	25.21%
Small Industries Development Bank Of India	14.78%
Total	100.00%
OPTIONALLY CONVERTIBLE PREFERENCE SHARES (OCPS)	
Shareholders	% Holding
Scient Capital Private Limited (Compulsorily Redeemable Convertible Preference Shares)	100.00%
Total	100.00%

Board of Director's/Promoters Profile

Name	Position	Qualification	Brief Profile
Mr. Livinus Kindo	Chairman	M.A. Economics, M. Phil.	Mr. Livinus Kindo is a retired IAS officer of 1973 batch, Orissa cadre. His final posting before retirement was in capacity of Member Board of Revenue (Chief Secretary Rank), Orissa. Mr. Kindo is an Economics Post Graduate (Gold Medalist) and has done his M.Phil from Glasgow University, U.K. Mr. Kindo is the founder of Regional Rural Development Centre, Rajgangpur and carries a wide exposure in the area of cooperative banks and societies in Orissa. He has varied publications to his credit covering areas such as 'Tribal Economy' & 'Credit Delinquency in India'. He is one of the promoters of Sambandh in capacity of Chairman and has been a constant source of support for the growth of the institution.
Mr. Deepak Kindo	M.D. & C.E.O.	M.B.A.(P.G.D.F.M.)	Mr. Deepak Kindo is the founder of Sambandh, and is an experienced professional in MFI sector. He is a Post Graduate from Indian Institute of Forest Management, Bhopal and has worked for a brief stint with 'Friends of Women's World Banking of India'. Mr. Deepak has attended numerous microfinance training programs at national and international level in addition to getting exposed to operational aspects of Micro finance institutions located in Asia Pacific and North America. Prior to Sambandh, Mr. Kindo was in Board of Adhikar Micro Finance Pvt. Ltd. An MFI based out of Odisha. In capacity of MD & CEO Mr. Deepak Kindo is committed to take Sambandh to greater heights.

Name	Position	Qualification	Brief Profile
Mr. Saurabh Baroi	Nominee Director	P.G.D.R.M.	Mr. Baroi, at present is General Manager in Dia Vikas Capital Pvt Ltd. A Post Graduate in Rural Management with expertise in areas including Institutional Development, Partnership Management, Mentoring, Technical Capacity Building, Legal Transformation & Due Diligence of MFIs. Prior to joining Dia Vikas Capital, he has worked with both national and international agencies such as CARE India, Access Development Services & CAPART.
Mr. Santanu Sarma Barua	Nominee Director	M.B.A. (Finance), P.G- Economics	A Post Graduate in Economics from Delhi School of Economics with an M.B.A. (Finance) from NMIMS University, Mumbai, Shri Santanu Sarma Barua has over 20 years of work experience in financial industry encompassing commercial banking, housing finance and development banking. Shri Barua is a Certified Associate of Indian Institute of Banking & Finance (CAIIB), an accredited Financing Risk Manager (FRM) from Global Association of Risk Professional (GARP) and CFA charter holder from the CFA Institute, USA. Shri Barua is presently Deputy General Manager in SIDBI MSME International Training Institute (SITI) at Bhubaneswar. During his career with SIDBI, he has worked in Treasury Mid-Office, Market Risk, Resource mobilization areas at its Mumbai corporate office apart from various branch offices of SIDBI across the country. He has an in-depth knowledge of market risk assessment with regard to financial industry as well as sound understanding of Economics underpinnings of risk analytics involved with the Asset Liability Management function of SIDBI and was also actively involved in operationalizing the Oracle software for ALM.

Name	Position	Qualification	Brief Profile
Ms. DeSilva Niroshani Sawanawadu	Nominee Director	M.B.A. (I.T.)	With an original background as an IT professional and initial career in IT Management, Ms. Niroshani has been involved in the microfinance field focusing on IT and MIS implementation since 2007. She has developed a strong operational track record in the microfinance industry and recently she has been responsible for building one of the leading microfinance companies in Myanmar – from greenfield to sustainable operation within a short time span of 2 years. Niroshani is also a CGAP certified trainer and have obtained experience in Social Performance Management through several social audits of MFIs in Africa and Asia during her time with EDA Rural Systems (India).
Mr. Kuchibhatla Prasad	Independent Director	M.Sc., C.A.I.I.B	Mr. Prasad has a wide experience of 33 years with Reserve Bank of India in various capacities with Chief General Manager, RBI as his last position held. His experience covers the areas of Supervision and Examination of Non-Banking Financial Institutions & Banks including the Developmental Financial Institutions. Before joining RBI, functioned as Senior Breeder with USAID and Rockefeller Foundations in developing disease resistant and high yielding Rice Varieties at Hyderabad with All India Coordinated Rice Improvement Project for four years.
Prof. Prabal Kumar Sen	Independent Director	M.A. (Economics)	Mr. Sen, at present, is a retired professor from XLRI and has served the Institute of Rural Management Anand (IRMA) as Bank of Baroda Chair Professor from November 2001 to March 2007. He had earlier taught at the Post Graduate Department of Economics in Burdwan University and served a public sector bank for over two decades occupying senior positions in areas related to economic research, general management and rural credit policy planning and operations. He has carried out several studies on rural credit and development, published a number of papers on related subjects and offered consultancy services,

			among others, to the Ministry of Rural Development, Government of India and the SIDBI Foundation for Micro Credit. Besides being the Prof. at IRMA for Macroeconomics and Rural Finance related courses, Coordinator Entrepreneur Development cell.
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Name	Position	Qualification	Brief Profile
Mr. Vinod Kumar Jha	Independent Director	B.SC.	Shri. Vinod K Jha, is an experienced professional providing strategic business advisory solutions in the areas of finance, marketing and business development. A Science Graduate from Mumbai University, he has rich and varied experience in this field for the past 16 years. He is also closely associated with premier organisations like Carbon Minus India in the area of renewable energy and environment protection and is a supporter and advisory for championing the vision of “Zero defect-zero effect” of our Prime Minister. He also has a presence in the socio-economic space and has worked with MFIs including C-DOT, Bihar and has helped them with their strategic and sustainable growth. His core skill areas include Institutional Development, Strategic Ideation, Mentoring and Incubation in New Realms.

Management's Profile

Name	Position	Qualification	Brief Profile
Mr. Deepak Kindo	M.D. & C.E.O.	M.B.A.(P.G.D.F.M.)	Mr. Deepak Kindo is the Co-Founder and Managing Director of SFPL and has extensive experience in the microfinance sector. He is an M.B.A. from Indian Institute of Forest Management and has attended numerous courses and training in Rural Finance, Management, and Strategy etc. He has also earned a Certificate in microfinance from the Boulder Institute of Microfinance, USA and recently has been selected to participate in the Harvard Business School – Accion Program on “Strategic Leadership on Inclusive Finance, Boston, USA.
Mr. James Raj	Chief Financial Officer	B.Com.(Hons), M.Com., P.G.D.B.M.(L.I.B.A.)	Mr. James Raj is an M.B.A. in Finance from the Loyola Institute of Business administration, Chennai. He has varied experience in the retail consumer finance industry relating to personal loans, mortgage and insurance with various capacities in sales, credit and branch operations. He also has prior experience in logistics and accounting. Apart from domain expertise he has considerable experience in delivering trainings on development on soft skills. .

Name	Position	Qualification	Brief Profile
Mr. Sanjib Puhan	Head- Corporate Strategy	M.B.A., M.Com, L.L.B.	Mr. Sanjib Puhan is an MBA from Utkal University and a LLB graduate and also has done his M.Com (Finance & Management) from Utkal University. He has a rich experience of 22 years and has been working at key strategic positions in his vast career span with organisations like Accion, ICICI bank, CARE India and NABARD. Mr. Puhan is instrumental in designing key strategies for way forward in the organisation.
Mr. Dhiraj Sinha	Head – I.T.	M.A, Micro Insurance	Mr. Dhiraj Sinha has a rich and vast experience of almost two decades working in the corporate and not for profit sector and has been a part of the microfinance and banking domain for the last twelve years. Mr. Sinha has been instrumental in managing the IT and non –IT projects in and around Asian and African countries in the domains of retail banking, CBS, internet banking and Anti Money Laundering. His prior experiences in IT management and implementation are helping Sambandh automate critical and non-critical IT & MIS processes at Sambandh.

Name	Position	Qualification	Brief Profile
Mr. Manoj Kumar Ekka	Head- Credit	M.Sc. (Comp. Sc.)	Mr. Manoj Kumar Ekka has done his Masters in Computer Science from Utkal University, Odisha. He commands extensive knowledge and vast experience in the microfinance operations. He is in-charge of Field Operations at SFPL. He is responsible for adding value to the organization by playing a critical role in ensuring effective execution of the core operational duties.
Mr. Arjun Pagal	Manager- Corporate Communication	P.G.D.M.N.	Mr. Arjun Pagal holds a PGDMN from EDII Ahmedabad, Gujarat. He has about 10 years of experience in PR, developing communication materials, creative design, social marketing and event promotional activities in the areas of Financial Inclusion, Financial Literacy, SHG Banking and Microfinance. Along with the excellent skills that he possesses, he has also demonstrated his expertise in documentation & content development while working with a variety of organizations that supports the widening outreach of financial inclusion in the country. He is currently looking after the overall communication & branding initiatives of Sambandh.

Name	Position	Qualification	Brief Profile
Mr. Krishna Chandra Mohanta	Company Secretary	B.Sc., C.S, LLB	Mr. Krishna Chandra Mohanta is a Company Secretary and LLB graduate and holds proficiency in areas of Legal and Secretarial Compliance and also a part of the risk management team of the company. He has a rich experience of more than 7 years and has worked with different companies over the years and brings in commendable experience.
Mr. Manoj Felix Ekka	Dy. Chief Manager, Operation	M.Sc., M.Phil. (Mathematics)	Mr. Manoj Felix Ekka is an M.Phil. in Mathematics from Sambalpur University, Odisha. He has a wealth of academic experience working as a lecturer of Mathematics in one of the Colleges in Sundargarh District of Odisha. He joined SFPL since its inception and acquired hands-on experience working at the grass-root level. He has strong communication and people management skills and this has helped SFPL in policy formulation and in team building.
Mr. Rohit Emanuel Kujur	Dy. Manager, SPM & PE	M.S.W. (HR)	Mr. Kujur is a Masters in Social Work specializing in Labour Welfare & HR. He has worked as an Asst. Professor and has an experience of totaling six years in varied functions across the organization. Presently, he is engaged in managing the SPM & PE team.

Name	Position	Qualification	Brief Profile
Mr. Felix Xess	Head - Operations	B. Com.	Mr. Felix Xess has expertise in Accounting with a Bachelor's Degree in Commerce. He has drawn rich experience from his past services in Christian Missionary organizations at Bangalore and Ranchi. He has extensive working experience in Tally and supervises the entire book-keeping and accounting processes at SFPL.
Mr. P Elias Lugun	Manager, Internal Audit & Control	M.B.A. (Marketing)	Mr. Elias Lugun is an MBA in Marketing from Sambalpur University, Odisha. He has been involved in the Field Operations in SFPL since its inception and has hands-on experience of the operations. At present he is the Head of Internal Audit and Control System and manages the compliance of policies and detection of frauds. He reports to the Audit Committee of the Board.
Ms. Rita Kiro	Manager, H.R.	M.B.A.(P.G.D.P.M.)	Ms. Kiro has 10 years of experience in Human Resource Management. Her last assignment was with a renowned Hotel Chain as a Human Resource Manager and was part of the pre-opening team. She has completed her PGDPM from Xavier Institute of Social Service. She has joined SFPL with focus to strengthen the SPM implementation and reporting to Board, Investors/Funders and Employees. Her current role involves heading the Human Resource Team in alignment with the strategic growth plans of the organisation.

Name	Position	Qualification	Brief Profile
Mr. Budhnath Oram	Dy. Manager, MIS	M.C.A.	Mr. Budhnath Oram has done his MCA from Utkal University, Odisha. He has extensive knowledge and experience in software development and implementation. He is in-charge of MIS at SFPL and has helped develop the Innovative Information System, currently being used in the organisation. He manages the Information Technology enhancement and implementation in the organization.

HIGHLIGHTS OF MICROFINANCE OPERATIONS

Particulars	31/Mar/2016	31/Mar/2017	31/Mar/2018	31/Oct/2018
No. of States	3	3	3	03
No. of Districts	11	16	20	24
No. of Branches	22	30	48	57
No. of Active Members	85,253	1,20,844	1,86,360	2,06,614
No. of Active Borrowers	67,413	94,561	1,45,388	1,52,334
No. of Total Employees	242	341	451	514
No. of Field/Credit Officers	90	170	216	228
No. of JLGS	7,925	12,688	21,524	25,389
No. of Individual Loans	0	692	856	821
OWNED PORTFOLIO				
Particulars	31/Mar/2016	31/Mar/2017	31/Mar/2018	31/Oct/2018
Total loan disbursements during the year (in crore)	81.37	87.27	185.72	135.29
Total portfolio outstanding (in crore)	68.01	90.03	166.54	211.73
MANAGED/BC PORTFOLIO				
Particulars	31/Mar/2016	31/Mar/2017	31/Mar/2018	31/Oct/2018
Total loan disbursements during the year (in crore)	19.98	33.70	67.85	71.59
Total portfolio outstanding (in crore)	16.57	21.77	46.85	32.10
SECURITIZED & ASSIGNED PORTFOLIO				
Particulars	31/Mar/2016	31/Mar/2017	31/Mar/2018	31/Oct/2018
Total loan disbursements during the year (in crore)	13.75	11.14	24.70	9.02
Total portfolio outstanding (in crore)	12.32	18.47	23.16	7.85

SFPL is an Inclusive Financial Institution, registered as a Non-Banking Finance Company – Micro Finance Institution (NBFC-MFI) with the Reserve Bank of India and offering customized solutions in the areas of Inclusive Finance through its lending and financing solutions to the low-income, marginalized and scheduled tribe community of Chhotanagpur region in the Eastern India. As on Oct 30, 2018, the company has 57 branches of 24 districts with about 1, 52,334 borrowers.

As on Oct 31, 2018, the company remains exposed to geographical concentration risk with major portfolio outstanding in the state of Odisha with 88.55 per cent and remaining (only 11.45 per cent) is in the state of Jharkhand and Chhattisgarh, however branches are diversified within the state. In future the company needs to improve the geographical diversification of operations to mitigate political and other risks. It would also be key grading sensitivity factor for the company to replicate its systems, processes and sound asset quality in the newer geographies while improving portfolio diversity.

GEOGRAPHICAL DISTRIBUTION AS ON 31/OCT/2018

Name of the State	No. of Branches	No. of Borrowers	Portfolio o/s (in crore)	PAR % (>30 days)	% of Total Portfolio o/s
Odisha	44	1,34,933	222.87	0.16%	88.55%
Chhattisgarh	7	8,451	14.49	0.11%	5.76%
Jharkhand	6	8,950	14.32	0.44%	5.69%
Total	57	152,334	251.68	0.70%	100.00%

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- In future the company needs to improve the geographical diversification of operations to mitigate political and other risks. It would also be key grading sensitivity factor for the company to replicate its systems, processes and sound asset quality in the newer geographies while improving portfolio diversity.

AGEING SCHEDULE OF THE LOAN PORTFOLIO

Period	FY 2016	FY 2017	FY 2018	31/Oct/2018
	Portfolio o/s	Portfolio o/s	Portfolio o/s	Portfolio o/s
	(in crore)	(in crore)	(in crore)	(in crore)
On-time	96.68	129.51	234.26	249.00
1-30 days	0.06	0.37	1.16	0.93
31-60 days	0.08	0.04	0.32	0.28
61-90 days	0.03	0.06	0.16	0.15
91-180 days	0.03	0.06	0.30	0.32
181-360 days	0.02	0.25	0.29	0.71
> 360 days	0.00	0.00	0.21	0.29
Write-off	0.04	0.06	0.04	0.00
Total	96.89	130.27	236.55	251.68

- SFPL has a sound asset quality marked by on-time repayment rate of 98.94% as on Oct 31, 2018. And the on time repayment rate stood at 99.03% as on March 31, 2018.
- The PAR 1-30 days stood at 0.37% as on Oct 31, 2018 as compared to 0.28% as on Mar 31, 2017. The PAR >30 days stood at 0.70% as on Oct 31, 2018 as compared to 0.36% as on Mar 31, 2017. The PAR 1-30 and The PAR >30 has increased from the previous year however it stood comfortable at 0.37% and 0.70% as on March 31, 2018.
- Adequate credit appraisal processes, monitoring and risk management mechanisms have supported the company to keep asset quality indicators under control.
- It would also be key grading sensitivity factor for the company to replicate its systems, processes and maintain sound asset quality in the newer geographies while improving portfolio diversity.

Microfinance Capacity Assessment Grading Rationale

Operating Environment

- SMERA estimates the MFI sector to grow at a CAGR of 20%-25% and is expected to touch Rs.170000 crore by the end of FY2019.
- MFIs have reported an increase of ~15% in average loan amount disbursed per account during Q2 FY 17-18 as compared to Q2 FY 16-17. SMERA believes seasoned customer profile over multiple loan cycles have helped MFIs to increase its loan ticket size.
- The fund flow to the sector has improved on account of increased confidence on MFI sector coupled with reduction in interest rate (100-150 bps). Further large MFIs are exploring the route of Non-convertible debentures (NCDs) and Pass through Certificates (PTCs); whereas small –mid size MFIs have an increased access to funds from banks and financial institutions
- Support systems such as Self-Regulatory Organizations (SRO), Credit Information Bureaus (CIB) among others have been established to ensure credit check and process adherence among MFIs. This regulatory framework will bring more accountability and transparency within the sector.
- Despite all developments in the sector the inherent risk exist such as unsecured nature of lending, vulnerable customer profile, exposure to vagaries of political situation in states, and cash handling (though which is expected to reduce with demonetization step taken by Government), and so on.

Long track record of operations and extensive industry experience of promoters

- SFPL is an Inclusive Financial Institution, registered as a Non-Banking Finance Company – Micro Finance Institution (NBFC-MFI) with the Reserve Bank of India and offering customized solutions in the areas of Inclusive Finance through its lending and financing solutions to the low-income, marginalized and scheduled tribe community of Chhotanagpur region in the Eastern India.
- Over the last decade SFPL has built a portfolio of Rs.251.68 crore as on Oct 30, 2018, the company has 57 branches of 24 districts with about 1, 52,334 borrowers. It is a client centric organization, with its dedicated Financial Well-being Branches that offer personalized credit and wealth management solutions to its clients.
- Moreover, the Company envisages a socio-economic prosperous society, in a broader sense the organisation wants to meet the financial needs of the unorganised and informal sector by delivering a basket of customised products at the doorsteps of the target clients, mostly the poor tribal segments in the Chhotanagpur region. The economically backward women from the region over the years have taken the benefit of doorstep financial services from SFPL to engage themselves in pursuing different income-generating activities. These women then use income from their businesses to repay the loans, contribute in household expenses and send their kids to school. And as their businesses grow, many take out small loans to build toilets and improve their homes.
- Apart from providing these affordable financial services, the organisation takes the client-MFI relationship to the next level. The clients are also up skilled in managing their expenses and given technical input on individual's/group's economic activities to scale up and diversify their sources of income. Financial Literacy Trainings are organized under its different branch locations spread across the operational states. This has been taken upon more systematically with the success of the SIDBI-PSIG Financial Literacy and Women Empowerment (FL & WE) program.
- The years of commendable work of the Team Sambandh has recently been appreciated in National Level, and the NBFC-MFI received the IFI Awards, as MFO of the Year 2017 (in Small & Medium Category) at the Inclusive Finance India Summit in New Delhi, one of the most acclaimed awards in the financial inclusion spectrum jointly constituted by ACCESS and HSBC.
- SFPL's core management team and second line of management has an adequate understanding of MFI ecosystem with rich experience in banking, microfinance and social development.
- SFPL has eight-member on its board as on Oct 31, 2018 having extensive experience in the banking and finance segment. The board has two promoter directors, three independent directors and three nominee directors with banking & finance/microfinance expertise.
- Mr. Livinus Kindo is a retired IAS officer of 1973 batch, Orissa cadre. His final posting before retirement was in capacity of Member Board of Revenue (Chief Secretary Rank), Orissa. Mr. Kindo is an Economics Post Graduate (Gold Medalist) and has done his M.Phil from Glasgow University, U.K. Mr. Kindo is the founder of Regional Rural Development Centre, Rajgangpur and carries a wide exposure in the area of cooperative banks and societies in Orissa. He has varied publications to his credit covering areas such as 'Tribal Economy' & 'Credit

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- Mr. Baroi, at present is General Manager in Dia Vikas Capital Pvt Ltd. A Post Graduate in Rural Management with expertise in areas including Institutional Development, Partnership Management, Mentoring, Technical Capacity Building, Legal Transformation & Due Diligence of MFIs. Prior to joining Dia Vikas Capital, he has worked with both national and international agencies such as CARE India, Access Development Services & CAPART.

Name	Position
Mr. Livinus Kindo	Chairman
Mr. Deepak Kindo	MD & CEO
Mr. Saurabh Baroi	Nominee Director
Mr. Santanu Sarma Barua	Nominee Director
Ms. DeSilva Niroshani Sawanawadu	Nominee Director
Mr. Kuchibhatla Prasad	Independent Director
Prof. Prabal Kumar Sen	Independent Director
Mr. Vinod Kumar Jha	Independent Director

Diversified Resource Profile

- As on March 31, 2018, SFPL has developed funding relationships with 24 lenders (Seven Banks & 17 NBFCs/FIs) however their resources profile continues to remain concentrated towards borrowings from NBFCs/FIs which stood at ~ 72.11% of total borrowings(outstanding debt) , and the borrowing from banks stood at ~27.89% as on March 31,2018.
- As on October 31, 2018. SFPL has been able to raise Tier-II capital (Subordinated Debt) from Capital First Limited and MAS Financial Services Ltd. The company also has Compulsorily Redeemable Convertible Preference Shares (CRCPS) from Scient Capital Private Limited.
- SFPL is presently working as a business correspondent with IDBI Bank, Yes Bank and Reliance Commercial Finance Limited. Further management has informed the company is in talk with ESAF Small Finance Bank for business correspondent, the managed loan portfolio of the company stood at Rs.32.10 crore as on October 31, 2018. SFPL also has securitization of its

portfolio with IFMR Capital Mosec Phaenna and IFMR Capital Mosec Enigma. The securitized portfolio stood at Rs. 7.85 crore as on October 31, 2018.

- The overall cost of funds (COF) for SFPL is relatively higher at 13.99% as on March 31, 2018 on account of majority of borrowings from NBFCs/FIs. The loans availed from NBFCs/FIs carry higher interest rate in the range of 14%-16% and hence the company has to explore its funding base majorly towards PSU Banks/Private Banks for reducing its cost of borrowing.

High Geographical concentration

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Chhattisgarh	7	8,451	14.49	0.11%	5.76%
Jharkhand	6	8,950	14.32	0.44%	5.69%
Total	57	152,334	251.68	0.70%	100.00%

- As on Oct 31, 2018, the company remains exposed to geographical concentration risk with major portfolio outstanding in the state of Odisha with 88.55 per cent and remaining (only 11.45 per cent) is in the state of Jharkhand and Chhattisgarh, however branches are diversified within the state.
- In future the company needs to improve the geographical diversification of operations to mitigate political and other risks. It would also be key grading sensitivity factor for the company to replicate its systems, processes and sound asset quality in the newer geographies while improving portfolio diversity.

Sound asset quality

Period	FY 2016	FY 2017	FY 2018	31/Oct/2018
	Portfolio o/s (in crore)	Portfolio o/s (in crore)	Portfolio o/s (in crore)	Portfolio o/s (in crore)
On-time	96.68	129.51	234.26	249.00
1-30 days	0.06	0.37	1.16	0.93
31-60 days	0.08	0.04	0.32	0.28
61-90 days	0.03	0.06	0.16	0.15
91-180 days	0.03	0.06	0.30	0.32
181-360 days	0.02	0.25	0.29	0.71
> 360 days	0.00	0.00	0.21	0.29
Write-off	0.04	0.06	0.04	0.00
Total	96.89	130.27	236.55	251.68

- SFPL has a sound asset quality marked by on-time repayment rate of 98.94% as on Oct 31, 2018. And the on time repayment rate stood at 99.03% as on March 31, 2018.
- The PAR 1-30 days stood at 0.37% as on Oct 31, 2018 as compared to 0.28% as on Mar 31, 2017. The PAR >30 days stood at 0.70% as on Oct 31, 2018 as compared to 0.36% as on Mar 31, 2017. The PAR 1-30 and The PAR >30 has declined from the previous year however it stood comfortable at 0.37% and 0.70% as on March 31, 2018.
- Adequate credit appraisal processes, monitoring and risk management mechanisms have supported the company to keep asset quality indicators under control.
- It would also be key grading sensitivity factor for the company to replicate its systems, processes and maintain sound asset quality in the newer geographies while improving portfolio diversity.

Income and Profitability

- The company reported a profit after tax of Rs. 2.68 Crore on total income of Rs. 40.29 Crore in FY2018 and a profit after tax of Rs. 1.49 Crore on total income of Rs 24.37 Crore in FY2017.
- As on October 31, 2018, the SFPL has an outstanding loan portfolio of Rs.251.68 crore (including BC and securitized portfolio) spread over 57 branches of 3 states with about 1, 52,334 borrowers. The companies' portfolio outstanding witnessed a growth of ~93.20% as on October 31, 2018 over FY 2017. The Company's operating expense stood at 7.27% as on 31st March, 2018.

Adequate MIS & IT infrastructure considering the current scale of operations

- SFPL's management information system (MIS) and Information Technology (IT) infrastructure is adequate for its current scale of operations. It has dedicated MIS and IT team at Head Office to ensure smooth flow of operational data between Head Office and branches. It uses customized software "E- fimo" developed by Jayam Solutions Pvt Ltd., Hyderabad which has specifically designed to enhance the productivity, business intelligence and to get complete solutions for its processes and risk management. This software is a complete ERP based Core Microfinance solution with automated Credit Bureau check, Automated Credit and Risk check, De-Duplication Check, Matrix Based Loan Sanction, Strong BRS system, Hierarchy wise Dash Board, Event based SMS and Email Alerts and other functionalities which would ease down operational processes. As discussed with the management the company is in process of implementing new ERP solution 'Perdix' powered by the Technology Inclusion Fund of SIDBI-PSIG. The use of new software would lead to reduction in the operating expenditure, better tracking system, and field-force automation, elimination of paperwork, enhanced operational controls and overall increase in the efficiency in the operations. The company also has an internal audit team which undertakes branch and borrower audit once in three months.

Inherent risk prevalent in the microfinance sector

- SFPL's business risk profile is susceptible to regulatory and legislative risks, along with the inherent risk exist such as unsecured nature of lending, vulnerable customer profile, exposure to vagaries of political situation in states, and cash handling associated with the MFI sector.

Financials

Profit & Loss Account (Rs. In Thousands)

Period	FY 2016	FY 2017	FY 2018
Months	12	12	12
Financial revenue from operations	1,72,241	2,43,661	4,02,859
Interest and fee revenue from microfinance loans	1,44,634	1,95,240	3,36,410
BC Commission	0	21,226	29,745
Other Operating Revenue	27,607	27,195	36,704
Financial expenses from operations			
Interest and Fee Expense on Borrowings	99,484	1,38,400	2,38,624
Other financial expenses related to financial services	1,735	1,669	2,517
Gross financial margin	71,022	1,03,592	1,61,718
Provision for Loan Loss / Write off	3,456	2,805	8,099
Net financial margin	67,566	1,00,787	1,53,619
Operating expenses			
Personnel Expense	28,840	47,763	71,284
Depreciation and Amortization Expense	4,025	2,648	3,585
Other Administrative Expense	17,770	29,430	43,408
Net operating income	16,931	20,946	35,342
Non-Operating Revenue (h)	346	606	749
Current Tax	6,282	7,104	9,509
Deffered Tax charge/(credit)	0	-444	-215
Net Profit After Tax	10,995	14,892	26,797

Balance Sheet (Rs. In Thousands)

As on date	31-Mar-16	31-Mar-17	31-Mar-18
	audited	audited	audited
SOURCES OF FUNDS			
Shareholders' Funds			
Capital			
Equity Capital	1,18,057	1,33,014	1,69,970
Retained earnings			
Prior Years	2,609	4,808	7,786
Current Year	2,199	2,979	5,360
Reserves & Surplus	9,485	18,150	36,477
Security Premium	2,943	5,485	15,994
Total Capital	1,35,293	1,64,436	2,35,587
Liabilities			
Short-term liabilities			
Short-term borrowings			
Commercial Loans from banks/FI	4,82,395	7,20,624	11,53,731
Concessional Loan/Subordinated Debt	28,383	0	0
Interest payable on funding liabilities	4,687	3,699	5,877
Account payable & Other short-term liabilities	4,333	7,226	17,131
Total Short-term liabilities	5,19,798	7,31,549	11,76,739
Long-term liabilities			
Long-term borrowings			
Commercial Loans from banks/FI	2,49,376	4,43,967	10,18,078
Concessional Loan/Subordinated Debt	0	30,000	80,000
Total Other Liabilities	7,69,174	12,05,516	22,74,817
Provision for Standard Assets	6,801	9,003	16,668
Other Provisions	12,481	11,389	16,422
TOTAL LIABILITIES	9,23,749	13,90,344	25,43,494

As on date	31/Mar/2016	31/Mar/2017	31/Mar/2017
	Audited	Audited	Audited
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5,302	18,445	36,337
Less: Depreciation	0	11,638	14,673
Net Block	5,302	6,807	21,664
Cash and Bank Balances	38,969	1,89,371	2,61,431
Investment in Fixed Deposit	1,59,301	2,43,093	5,15,573
Gross Loan Portfolio	6,80,051	9,00,322	16,65,378
Accounts Receivable And Other Assets	39,647	49,829	78,309
Deferred Tax Asset	479	922	1,139
TOTAL ASSETS	9,23,749	13,90,344	25,43,494

Financial Ratios

Financial Ratios	31/Mar/2016	31/Mar/2017	31/Mar/2018
	12	12	12
Capital Adequacy Ratio			
Capital Adequacy Ratio (%)	18.54	16.97	17.60
Productivity/Efficiency Ratios			
No. of Active Borrowers Per Staff Member	352	354	413
No. of Active Borrowers per field executives	947	711	863
No. of members per Branch	3875	4028	3,883
Gross Portfolio o/s per field executive (in thousands)	9,397	6,577	9,879
Average Outstanding Balance per client (in Rs)	9,920	9,252	11,450
Cost per Active client(in Rs)	594	661	635
Staff Allocation Ratio	37.2%	49.9%	47.9%
Asset/Liability Management			
Cost of funds ratio	17.22%	14.33%	13.99%
Yield on Portfolio(nominal)	27.50%	25.47%	25.47%
Profitability / Sustainability Ratios			
Operational Self Sufficiency (%)	110.90	109.40	109.62%
Operating Expense Ratio (OER) (%)	11.97%	8.13%	7.27%
Return on Assets (RoA) (%)	1.83%	1.81%	1.80%
Return on Equity (RoE) (%)	12.51%	6.99%	8.83%
Leverage Ratios			
Total Outside Liabilities to Tangible Networth Ratio (Times)	5.69	7.33	9.66
Debt/Equity Ratio (Times)	5.62	7.26	9.56

Grading Methodology

A) Operational Track Record

Business Orientation and Outreach of the MFI is an important parameter to gauge the growth strategies of the MFI and to assess its strategies for development. This parameter is analysed using the following sub-parameters.

- Direction & Clarity
- Ability to raise funds
- Degree of association with promoter institution
- Alternate avenues for funds
- Outreach (No. of offices, No. of clients, No. of employees, Portfolio diversification)

B) Promoters & Management Profile

The elements in this parameter helps in assessing the Promoter & management quality evaluated on the basis of the basic educational qualification, professional experience of the entrepreneur; and business attitude that is related to the motivation of carrying out the business and pursuing business strategies. This parameter is analysed using the following sub-parameters.

- Past experience of the management
- Vision and mission of the management
- Profile of the Board Members
- Policies and Processes
- Transparency and corporate governance

C) Financial Performance

SMERA analyses the credit worthiness of the organization through the following financial parameters. Various financial adjustments are done to get more accurate ratios for comparison. Financial analysis helps the MFI to know its financial sustainability. This parameter is analysed using the following sub-parameters.

- Capital adequacy
- Profitability/Sustainability ratios
- Productivity and efficiency ratios
- Gearing and Liquidity ratios

D) Asset Quality

The loan portfolio is the most important asset for any MFI. SMERA analyses the portfolio quality of the MFIs by doing ageing analysis, sectoral analysis, product wise analysis etc. SMERA compares the portfolio management system with organizational guidelines and generally accepted best practices. This parameter is analysed using the following sub-parameters.

- Ageing schedule
- Arrears Rate / Past Due Rate
- Repayment Rate
- Annual Loan Loss Rate

E) System & Processes

SMERA analyses the policies and processes followed by the MFIs, their ability to handle volume of financial transactions, legal issue and disputes, attrition among the employees and client drop out which impact the productivity of the organization. SMERA also analyses asset liability maturity profile of the MFI, liquidity risk and interest rate risk. This parameter is analysed using the following sub-parameters.

- Operational Control
- Management Information System
- Planning & Budgeting
- Asset Liability Mismatch



About SMERA

SMERA is a division of Acuité Ratings & Research Limited dedicated to providing SME Ratings & Grading services to MSMEs. SMERA began its operations in year 2005 as SME Rating Agency of India Limited, a joint initiative of Small Industries Development Bank of India (SIDBI), Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector Banks in India. SMERA is empanelled for 'Performance & Credit Rating Scheme for Micro & Small Enterprises' of the Ministry of MSME, Government of India, administered by the National Small Industries Corporation (NSIC). Acuité Ratings & Research Limited is registered with the Securities and Exchange Board of India (SEBI) as a Credit Rating Agency and is accredited by Reserve Bank of India (RBI) as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings.

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